

**THE NATURAL HISTORY MUSEUM
TRUSTEES' AUDIT & RISK COMMITTEE**

68th Meeting on Tuesday 5th May 2015

Present

Dr Derek Langslow in the Chair
Professor Sir Roy Anderson
Dr Kim L Winser OBE
Mark Richardson (co-opted member)

In Attendance

Lord Green of Hurstpierpoint (Chair of Trustees)
Sir Michael Dixon (Director)
Neil Greenwood (Director of Finance & Corporate Services)
Jan Day (Head of Risk & Assurance/Committee Secretary)
Matthew Atkinson (Audit Manager, NAO)
Nick Buxton (Partner, BDO)

Annette Fitzjohn (Health and Safety Manager) was in attendance for item 11.

Stuart Craik (Head of Security) was in attendance for item 12.

Dave Thomas (Head of Technology Solutions) and Chris Sleep (TS Systems & Information Manager) were in attendance for items 12 & 13.

Sarah Long (Registrar) was in attendance for item 14.

Andy Fleet (Assistant Director of Science) was in attendance for item 17.

Kevin Rellis (Head of Estates) was in attendance for item 18.

ACTION

1 APOLOGIES FOR ABSENCE

1.1 Paul Keane (NAO, Director) sent his apologies.

ACTION

2 DECLARATIONS OF INTEREST, REGISTER OF INTERESTS AND ANNUAL REVIEW OF GIFTS AND HOSPITALITY (PAPER TAC 15/2015)

- 2.1 The Declaration of Interests and Register of Interests were recorded by the Secretary to the Audit & Risk Committee. Members noted the annual review of Gifts & Hospitality valued over £50 recorded a nil return for 2014/15.

3 MINUTES OF THE MEETING HELD ON THURSDAY 11TH FEBRUARY 2015 (PAPER TAC 16/2015)

- 3.1 The minutes were accepted as a true record of the meeting.

4. MATTERS ARISING FROM THE MINUTES

- 4.1 Retail - para 7.4 - The Chair of the Audit & Risk Committee and Kim Winser were sent a detailed analysis of retail income and costs. Kim Winser was meeting with the Head of Commercial and Head of Retail to discuss the figures on 7th May 2015.

5 DIRECTOR'S REPORT (PAPER TAC 17/2015)

- 5.1 The Director presented his report.

- 5.2 DCMS Information Requests in Preparation for the Expected Spending Review - The Museum had submitted a return to the Department for Culture Media and Sport (DCMS), to assist in the Department's preparation for the Spending Review (SR2015). The financial information supplied did not have Board of Trustee approval as it was requested at short notice. However, the financial information was based on the budget approved by Trustees in November 2015. The DCMS request asked for the case for the economic and social benefits of NHM and the contribution of NHM to the UK brand. The Museum Director and Director of Finance & Corporate Services were meeting with DCMS to go through the submission on 13th May 2015. The DCMS Director General had given confidence there will be a strong submission for culture.

- 5.3 Offsite Collection Storage - On 27th April 2015 the Museum Director attended a DCMS workshop on Collections Storage with the Assistant Director of Science. The Museum Director made a presentation at the workshop on the benefits of working together on a programme of projects under a single working title e.g. the National Storage Infrastructure project. The vision for the project consisted of a series of storage units for different types of material. Some material required environmental controls e.g. printed and organic material. A shared solution had the biggest potential efficiency saving in the period to be covered by SR2015. A shared approach, chimed with the collection storage needs of some organisations who were also likely potential partners. However, a number of other Museums preferred to pursue their own independent options. The key to unlocking the door to collaboration remained the future of Blythe House, the offsite storage location for the British Museum, Science Museum Group and the V&A. These three organisations were awaiting a decision on the future of Blythe House and their share of any sale proceeds realised.

- 5.4 The Chair of the Audit & Risk Committee and the Board of Trustees observed that under the British Museum Act 1963 the Board of Trustees were accountable for the Museum collections. It was noted that discussions on a solution to NHM collections storage issues had been ongoing for a number of years. The Chair of the Audit & Risk Committee and the Chair of the Board of Trustees were of the view that the Museum must make a decision on the way forward by the end of the calendar year. Other viable solutions should be explored e.g. refurbishing storage space in South Kensington or leasing space. It was noted that the SR2015 submission to DCMS had highlighted the need for significant collections storage capital investment.

MD/IO

ACTION

- MD/IO/SG 5.5 The Chair of the Audit & Risk Committee and the Board of Trustees recommended the Museum discuss collections storage collaboration with the various Chairs of Trustees over the summer. Following which a paper on the options is presented to the November Board of Trustees. *Please also see section 17.*
- MD/CH 5.6 Employee Engagement Survey - A summary of findings with comparative information will be included in the Museum Director's report to the next Board of Trustees meeting on 19th May 2015. The results were similar but not identical to those of the previous survey. Pay and recognition remained a significant staff concern and staff had high expectations for the outcome of the Employment Offer project. The Board of Trustees will also receive a paper on the Employment Offer at their next meeting. Members observed that the perception that the Executive Board were remote from staff was a soluble problem.
- MD/CH 5.7 Appointment of a Director of Development - A Director of Development had been appointed and will start work on 1st June 2015. The Director of Development had already given the Museum significant amounts of her time particularly in relation to recruitment.
- 5.8 Advocacy and Government Relations Post the General Election - The approach after the election will be to work constructively with partner museums and galleries to substantiate the case for government investment in national museums. In addition, the Museum Director had agreed to re-join the Executive Committee of the National Museum Directors' Council (NMDC) which he chaired during SR2010. The Museum will also talk directly to the Treasury and other government departments to make the case for NHM funding.
- 5.9 Current Trends in Attendance - There had been a decline in attendance at South Kensington for the first time in eight years of c. 170,000 visits or 3%. The Museum was evaluating the potential reasons for this and whether it was a shared phenomenon with peer institutions. Sterling's value against other currencies may be effecting spend by overseas visitors. It was observed that the key issue was maintaining visitor related income at its current level. Evaluation of international visitor spend per head and the new NHM website and social media engagement would also provide useful analysis.
- 5.10 Performance Reporting – The Museum will report performance against the new Museum Strategy to 2020. The first performance report for Q1 will be available after the Board of Trustees meeting scheduled for 30th June 2015.
- 5.11 Notable Appointments and Announcements from Peer Institutions - There had been a number of significant changes from peer institutions regarding Chair and Chief Executive roles. In particular, Neil MacGregor had announced his intention to step down as Director of the British Museum.
- 5.12 First Meeting Directors of the Largest Global Natural History Museums - The Museum Director attended the first meeting of the largest global natural history museums from north America and Europe in Chicago at the end of March 2015. The useful meeting was to discuss issues of common concern and how the Museums can collectively work together. The Museum Director had agreed to host the second meeting and there will be an evening reception for Trustees to meet attendees on 30th November 2015.
- 5.13 Executive Board Appraisal and Objective Setting - The draft objectives for members of the Executive Board will be circulated to trustees for input at the meeting on 19th May 2015.

ACTION

6 DIRECTOR OF FINANCE & CORPORATE SERVICES' FINANCIAL REVIEW FOR THE PERIOD APRIL 2014 - MARCH 2015 - PROVISIONAL YEAR OUTTURN (PAPER TAC 18/2015)

- 6.1 The Director of Finance & Corporate Services presented his paper. This was the first provisional outturn produced from the new Finance system.
- 6.2 General Fund - The provisional year end outturn for 2014/15 for the General Fund was £6.809m which was £1.006m above the previous forecast and was c. £1m above the figure used to underpin the budget for 2015/16 presented to the Trustees in November 2014.
- 6.3 Net Self Generated/Trading Income - There was strong performance for visitor related income Admissions, Retail, and Catering. It was noted, however, that the net contribution for Membership, Visitor Events, Touring & Exhibitions and Science Grants was down. Increased costs were not generating increased revenue and this must be monitored. The new NHM Strategy to 2020 highlighted an objective to expand sources of self-generated income. The trend, however, reflected in the figures was negative. It was noted that in some areas this maybe due to increased investment e.g. Membership. There was a presentational issue with Exhibition Admissions as the true costs were not included in the Admission actual costs figure of 28%. Individual exhibitions were, however, managed on a profit & loss basis.
- 6.4 Science Grants - It was observed that actual costs for Science Grants were 87% as opposed to 65% in the original budget. Museum policy was the primary purpose of securing grants was to generate scientific output and secondarily generate surplus funds. The policy was discussed at the recent Scientific Advisory Board. Scientific Advisory Board members were of the view, however, that overheads should be costed in all grant applications. It was noted that: (a) the Museum was winning large consortium grants in Earth Sciences; and (b) not achieving the planned growth in science research income was a 2015/16 major corporate risk.
- 6.5 Recurrent/Operating Expenditure - Non salary expenditure reflected: (a) an underspend on the special exhibitions programme budget, however, some of the saving may need to be carried forward to 2015/16; and (b) a less than anticipated increase in expenditure on energy and some other Estates costs. The increase in non salary expenditure of c. £1.4m from 2013/14 required further investigation. However, it most likely reflected the bigger exhibition programme in 2014/15. It was noted the bigger exhibition programme generated increased income from admissions and the related gift aid.
- 6.6 Capital Expenditure and Capital Income - Gross capital and projects expenditure was broadly in line with the previous forecast and budget of £9.297m. There was a £6m capital grant from the Natural History Museum Development Trust which was restricted in use for the advancement of the Museum's charitable objectives.
- 6.7 Net Operating Surplus - There was one note of caution, the net operating surplus for the year was £0.840m below the surplus for 2013/14. Although this was anticipated the Museum needed to monitor and control operating costs going forward. The Museum's ability to fund capital expenditure was compromised by a lower net operating surplus.
- 6.8 The year end figures were provisional and subject to review. There may be changes, particularly in relation to income recognition on science grants. However, any changes were not expected to be significant.

NG

ACTION

7 ANNUAL ACCOUNTS UPDATE 2014/15: DRAFT GOVERNANCE STATEMENT (PAPER TAC 19/2015)

Accounts Process

- 7.1 The Director of Finance & Corporate Services presented his paper.
- 7.2 The Trading Company external auditors Kingston Smith arrived on site on 5th May 2015 and were presented with a full set of Trading Company accounts. Progress for the Museum accounts was good and the external auditors NAO/BDO will be presented with a draft set of accounts on their arrival on 26th May 2015.

NG/DL/MR/SG

- 7.3 Informal Review of the Accounts – There will be an informal review of the Museum accounts on 17th June 2015 by the Chair of the Audit & Risk Committee, the Chairman of the Board of Trustees and the co-opted member.

Draft Governance Statement

- 7.4 The draft Governance Statement will be amended in the light of discussion at the Audit & Risk Committee meeting. The main internal assurance was the annual report by the Head of Risk & Assurance which included an opinion on the adequacy and effectiveness of the Museum's risk management, internal control and governance processes. Other key internal assurance included the annual report from the Health & Safety Manager, and the Annual Security Report.

- 7.5 Fraud - It was requested that it should be minuted that the Executive were not aware of any fraud or suspected fraud affecting the Natural History Museum. An assurance on fraud was also required by the NAO for the Audit Completion Report and Letter of Representation.

NG

- 7.6 Major Corporate Risks - Although not a mandatory requirement a number of organisations were recording in the Governance Statement the action they were taking to manage Major Corporate Risks. The Director of Finance & Corporate Services agreed to consider how this might be achieved.

NG

- 7.7 Significant Internal Control Improvements - Collections Management Policies - The Chair of the Audit & Risk Committee requested that reference was made to the work of the Committee in ensuring collections policies were implemented. In particular, compliance with the Collections Access & Information Policy - Section 21. Collections Management Audit as highlighted by the April 2014 audit report on Collections Auditing.

NG

- 7.8 Significant Internal Control Matters Arising During the Year - The independent review of the key financial controls operating in the new Finance system highlighted some weaknesses in control had been in place for part of the year. It was observed it should be noted in the Governance Statement that the Executive and external auditors were not aware of any errors arising as a result.

8 HEAD OF RISK & ASSURANCE ANNUAL REPORT TO THE ACCOUNTING OFFICER AND THE AUDIT & RISK COMMITTEE 2014/15 (PAPER TAC 20/2015)

- 8.1 The Head of Risk & Assurance presented her report.
- 8.2 Annual Assurance - The Head of Risk & Assurance gave a reasonable assurance that an adequate and effective risk management and internal control framework was in place to ensure the proper conduct of business and the achievement of the Museum's aims and objectives.

ACTION

- 8.3 The Risk & Assurance team had undertaken all the planned reviews. Of the 24 internal audit reports issued during the year two were classified as category 2; medium to high risk; three reports were classified as 3/2, fourteen reports were classified as category 3, medium risk; four had been classified as category 4 low risk; and one was not classified.
- 8.4 **Outstanding Recommendations Category 1 & 2** - The Committee reviewed a log of outstanding recommendations with a priority 2 classification or higher which was maintained by the Head of Risk & Assurance.
- 8.5 Contract Letting and Procurement - The requirement to send signed contracts to the Procurement Team had been communicated to staff via global emails and an intranet news item. In addition, the Director of Finance & Corporate Services had agreed in principle to the purchase of a contract management tool.
- 8.6 Crisis Management & Business Continuity - A memorandum of understanding was signed between the NHM and V&A on 21st April 2015. This was a rolling yearly agreement. NHM can use the Crisis Management space within the V&A and the Blythe House V&A Business Recovery Centre as offsite facilities for the NHM's Disaster Response Team. However, due to the uncertain future of Blythe House this will not be a long term solution.
- 8.7 Cash Room Operations – The Assistant Management Accountant was reviewing the process and documentation for spot checks of the Cash Room and will perform weekly checks over 3 weeks from 13th April 2015. Following the review a decision will be taken in May on the frequency of checks taking into account staff resource.
- 8.8 Staffing - Despite the constraints on the audit resource this had not adversely affected the audit plan for 2014/15. Museum staff were generally co-operative although there were sometimes issues about the timing of reviews. The completion of the Incoming Research Loans audit had, however, been delayed due to the non-availability of science staff at the time arranged with the auditors. The non-availability of individual staff was not reported to the Director of Science as gathering information was dependent on staff co-operation. The Chair of the Audit & Risk Committee asked that the Committee were consulted if the programme of work for 2015/16 was not achievable due to insufficient resources. It was noted that accountancy and audit salaries were increasing and competing for agency staff for the Risk & Assurance team will become more difficult.
- 8.9 The co-opted member asked that it was recorded in the minutes that a full programme of internal audit work had been carried out for 2014/15. The Head of Risk & Assurance and her team should be congratulated. The Executive should also be thanked for providing the necessary support.
- 8.10 Unannounced Audits - There was a discussion on the merits of unannounced audits/spot checks. The Chair of the Board considered that unannounced/surprise audits should be carried out for Security, Cash and Stock. The Head of Risk & Assurance explained that generally advance notice was given to auditees. In the case of the Incoming Research Loans audit, for example, the visit was prearranged for logistical reasons. The scientists, however, were not told the list of loans to be checked. The co-opted member observed that: (a) stock was not a significant number on the balance sheet; and (b) conceptually internal audit in the Museum was designed to give assurance over processes and controls rather than carry out substantive testing to highlight errors or misstatements in financial records.
- 8.11 It was requested that the Head of Risk & Assurance bring a brief paper on unannounced audits in the Museum with recommendations to the June 2015 Audit & Risk Committee.

ACTION

9 RISK & ASSURANCE PLAN 2015/16 AND PLAN IN CONTEXT (PAPER TAC 21/2015)

- 9.1 The Head of Risk & Assurance presented her plan.
- 9.2 The Museum Director and Head of Risk & Assurance had not yet had an opportunity to discuss the final plan. They will, however, review the plan in the light of the definitive, ranked list of 2015/2016 Major Corporate Risks to be presented later in the meeting.
- 9.3 Science Income - It was observed that a review of Science Income should include overhead recovery on research grants and consultancy. Overhead costs were, however, known and costed by the Director of Finance & Corporate Services and his team.
- 9.4 IT Firewall & Internal Network Testing - Specialist skills were needed for IT Firewall & Internal Network Testing. The Head of Risk & Assurance was currently procuring IT network security consultancy services in discussion with the TS Systems & Information Manager. A review of the firewall and internal network had not taken place in two years. It was noted the consultants advising the Museum on PCI recommend a test of the firewall once a year and internally four times a year. The scope and cost of the review was increasing as it will also include testing the new Finance system and eShop. Members considered a cost of £20k was reasonable. The Head of IT at Imperial College had been approached but was not able to provide assistance to NHM.
- 9.5 Pest Management - It was observed that a review of this important area had not taken place since 2011/12. There had been a meeting to discuss the review with the Registrar and Chair of Collections Committee. In addition, a follow up will take place later in the year or early 2016/17.

MD/JD

JD

10 AUDIT & RISK COMMITTEE ANNUAL REPORT 2014/15 (PAPER TAC 22/2015)

- 10.1 The Chair of the Audit & Risk Committee presented his report which was agreed by the Committee.
- 10.2 The Chair thanked members and those in attendance for their regular presence at the meetings in 2014/15.

11 ANNUAL HEALTH & SAFETY REPORT 2014/2015 (PAPER TAC 23/2015)

- 11.1 The Health & Safety Manager presented her report.
- 11.2 There had been positive changes since the Director of Finance & Corporate Services had taken over responsibility for chairing the Museum's Health & Safety Committee. In particular there had been: (a) mandatory Health & Safety Training for managers; and (b) increased investment in key systems e.g. fire safety and trialling an ePermit system to control contractors.
- 11.3 Members of the Public - There was one claim by a member of the public against the Museum which was accepted and settled on the advice of the Museum's Public Liability Insurers.
- 11.4 Rodents - Staff were asked to report any evidence of rodent activity or sightings to the Museum helpdesk. The Health & Safety Manager had not, however, been made aware of any reports from visitors in public areas e.g. the toilets and restaurants. Rodent activity had increased due to building work at the V&A and the mild winter. Estates were, therefore, working hard on reducing the problem, in conjunction with Integrated Pest management (IPM), EMCOR, Servest and Benugo.

ACTION

- 11.5 Heritage Health & Safety Committee - The major London museums and English Heritage met quarterly to discuss common concerns e.g. tree management, young visitors and listed balconies.
- 11.6 Comparative Statistics - Tables illustrating the Museum's incident rates compared with other major London based galleries and museums for the 2014 calendar year had been included in the Health & Safety Managers' report for the first time. However, it was observed that caution should be exercised in drawing direct comparisons. Further investigation was needed to establish the veracity of the comparative figures. The visitor profile in the other organisations was different. In addition, the beauty of the Waterhouse Building distracted visitors which led to slips and trips.
- 11.7 The Chair thanked the Health & Safety Manager for her paper.
- 12 ANNUAL SECURITY REPORT 2014/15 (PAPER TAC 24/2015)**
- 12.1 The Head of Security and Head of Technology Solutions presented the report.
- 12.2 External Environment - The past twelve months had seen an increase in attacks on "soft" locations by radicalised individuals e.g. the Jewish Museum in France and Charlie Hebdo. These attacks were more difficult for police forces to intercept, however, there was no intelligence to say museums were at any greater risk. The Head of Security had good contacts with Counter Terrorism Security advisors and Police Protection Officers.
- 12.3 Bag Searches - NHM style bag searches had been introduced by other major museums in London. The NHM Security Team carried out a percentage of bag searches as a deterrent. Introducing airport type searches would: (a) increase costs; and (b) slow down entrance and increase visitor queuing time. In 2014/15 there had been no change to the number of illegal blades, mace and pepper sprays confiscated mainly from European students, by the Security Team.
- 12.4 Security Enhancements Programme – The Security Enhancements Programme had now finished. This had seen the opening of a state of the art Control Room and enhanced CCTV coverage internally and externally. External CCTV had improved the security of the grounds at night. Security had also been improved at Tring and Wandsworth. Going forward it was essential the new security systems were maintained adequately. It was noted everyone who worked in the Museum was invited to visit the Control Room on an open day. New kit installed in departments was also demonstrated to relevant staff e.g. the Library.
- 12.5 Outsourced Security Contract - The Museum Consortium (V&A, NHM and the Science Museum Group) had accepted the +2 years allowed in the outsourced security contract with Wilson James and the partnership will continue until April 2018. Consortium members were happy with the arrangement although there had been a few issues. In particular, the Museums and Wilson James had a different understanding relating to the liability for a shortfall in the staff pension fund. Following the negotiation for the contract extension, however, Wilson James agreed to absorb the additional pension charges. A review of the Security contract will need to be conducted in 2016 to prepare for the retendering and the appointment of a new Security partner by 2018. Each Museum had adopted slightly different security models and could decide to leave the consortium at the end of the current contract.
- 12.6 Staff Theft - There had been a rise in offences against members of staff in the changing rooms within the Earth Gallery basement. There were lockers, however, with a transient work force lockers were not always immediately available for new staff.

ACTION

- 12.7 Incursions - There had been an increase in incursions into the grounds and the building largely connected with the selfies craze. All were detected by the security systems or patrolling staff, no damage was caused and nothing stolen. There had been no incidents of urban/night climbing and anyone planning this would be quickly picked up in the grounds by CCTV.
- 12.8 Collections Thefts - During 2014/15 the theft of rhino horn and Chinese jade from galleries and museums across Europe stopped. This appeared to be due to the UK Police task force making arrests which had disrupted the activity of the organised gang behind the offences. Natural History specimens at auction continued to get publicity.
- 12.9 The Chair thanked the Head of Security and Head of Technology Solutions for their report.
13. **CYBER SECURITY (PAPER 25/2015)**
- 13.1 The Head of Risk & Assurance presented her report. The Head of Risk & Assurance drew up the paper following consultation with the Head of Technology Solutions, TS Systems & Information Manager and the Network & Telecoms Manager.
- 13.2 The TS Systems & Information Manager acted as the TS Security Officer and provided independent security advice to the Head of Technology Solutions on the NHM network and new applications.
- 13.3 A number of high profile brands had been hacked and had denials of service including the U.S. weather systems, satellite network. The Museum was a target for gifted amateurs and specialists. It was noted the Museum's response to cyber security protection was layered and measured but not absolute.
- 13.4 Firewall - The Museum had a Firewall network security system that controlled the inbound and outbound network traffic by analysing the data packets and determining whether they should be allowed through or not, based on a set of rules. The Museum Firewall log recorded approximately 30 million denials in 24 hours. Denials included junk mail, spiders and Chinese hackers. Industry statistics suggested the majority of denials were malicious.
- 13.5 Intrusion Prevention System (IPS) - At the end of January 2015 TS installed a Next Generation Firewall (NGF) - Intrusion Prevention System (IPS) "Palo Alto" which monitored all inbound and outbound traffic from the Museum internal network and public wifi facility. It was industry common practice to use such software to detect security breaches not detected by a Firewall or antivirus software.
- 13.6 SSL - TS was not using the "Palo Alto" capability to decrypt and inspect SSL encrypted traffic to check threats were not hiding in: (a) outbound traffic to, for example, an internal user's bank; and (b) inbound traffic accessing a small number of NHM SSL services e.g. web mail. TS currently consider that the use of this facility would be a breach of an individual's privacy. TS will: (a) introduce the capability if there was evidence of malicious traffic; and (b) take advice from the IT network security consults due to carry out penetration testing in the Museum.
- 13.7 The Museum subscribed to Gartner a leading information technology research and advisory firm providing technology related insight. Every two years external IT consultants carried out: (a) external infrastructure penetration testing; and (b) internal network penetration testing. Independent checks of new systems were also commissioned by TS, for example, the eShop. The Museum Director observed that it was important to remain secure in this area and he accepted that the cost of doing so will continue to increase.

DT/CS

ACTION

- DT/CS
- 13.8 Staff Negligence - Cyber security issues in industry were often due to staff negligence/stupidity such as: (a) accessing dangerous websites that host malicious content; and (b) plugging personal devices into the network without TS approval. TS did not currently have the software to block unauthorised devices. It was noted staff stupidity was due to a mixture of ignorance and not following TS policy. It was recommended, by the Committee, therefore, that Heads of Department were made responsible for the behaviour of their staff. The Head of TS said he agreed with the recommendation and would also include Cyber Security in Service Level targets and reporting.
- 13.9 The Committee considered the recommendations made by the Head of Risk & Assurance. The Head of TS confirmed he agreed with the recommendations which were fair and reasonable. It was noted that the Head of Human Resources and the Acting Head of Organisational Development had agreed that the Museum specification for mandatory e-learning which was to be retendered should include cyber security training.
- 13.10 The Chair thanked the Head of Technology Solutions and TS Systems & Information Manager for attending and the Head of Risk & Assurance for her report.
14. **UPDATE ON COLLECTIONS AUDITING AND PEST MANAGEMENT (PAPER 26/2015)**
- 14.1 The Registrar presented the report.
- 14.2 The Chair of the Audit & Risk Committee and members were pleased to see progress on collections auditing. The Committee had been concerned about the findings of the Head of Risk & Assurance's 2014 report on Collections Auditing. Under the British Museum Act 1963 the Board of Trustees had a specific responsibility for the Museum collections.
- 14.3 Bird Collections. - A process to audit the endangered and extinct, type and nest collection had been agreed with the Bird Group at Tring. This had been difficult to resolve and had delayed the implementation of audits of the Bird collection. However, these will now commence in 2015. It was noted that Tring had particularly tight controls over visitor access to the collections.
- 14.4 Networking - The Registrar exchanged information with the Assistant Director of Collections at the Smithsonian National Museum of Natural History (NMNH) in America. However, she had more contact with other national museums in the UK. This was largely due to the wide diversity of the NHM Collections e.g. gems, artwork and printed material. The Assistant Director of Collections at the Smithsonian was particularly interested in the audit of Incoming Research Loans which was an area where all natural history museums had issues.
- 14.5 Collections Audit Plan - The Chair of the Audit & Risk Committee accepted that: (a) the size of the collections c.80m specimens; and (b) the number of curators c.93 restricted the amount of inventory checks which can be carried out. Undertaking audits of the collections was a time consuming process. It was noted therefore, that the Collections audit plan presented to the Committee was directed towards the most important and irreplaceable specimens. However, members were concerned the Collections Audit plan covered less than 10% of the collections.
- 14.6 Visitor Access - Security and controls over visitor access were important. Following on from the 2011 Collections Security report by the Head of Risk & Assurance Collections Committee undertook a review of how each Science Department dealt with Scientific Visitors in 2012. A group was currently being led by the Collections Manager, Higher Invertebrates to take the visitor security work forward and introduce standard procedures across departments. It was noted that visiting scientific researchers carried out identification work and reported damage to the collections.

ACTION

- 14.7 Annual Assurance - It was observed that ideally the Audit & Risk Committee and Trustees would like to see a documented assurance over the entire collection of 80 millions specimens even if it stated a particular specimen group did not need to be checked due to materiality. It was noted, however, that: (a) the commercial value of the collections was not always known e.g. bird skins; and (b) the Museum collection was not fully documented.
- IO/SL 14.8 All the groups of material in the NHM collection were the responsibility of a named curator(s) with the exception of general artwork and sculptures. The Chair of the Board of Trustees and members observed it should, therefore, be possible for each curator(s) to provide an annual documented assurance that the collections in their care were complete. The Registrar explained this would lead to a duplication of effort due to the ongoing work relating to digitisation and the exhibitions. Collections Committee were currently carrying out a collections assessment exercise which in two years time will provide the information for such an assurance.
- 14.9 Items on Display - The inventory of items on display was due to be completed in the next year. The work had been delayed as the Deputy Registrar and Assistant Registrar posts (2 out of 3 posts) in the Registrar's Office were vacant. However, a recruitment exercise was currently taking place.
- 14.10 Incoming Research Loans - The review of "Incoming Research Loans" had demonstrated that where there is staff trust and confidence in the audit process auditees will highlight control weaknesses which would not otherwise come to light. Carrying a big stick will not achieve this.
- JD/SL 14.11 It was agreed that the Registrar and Chair Collections Committee will update the Audit & Risk Committee again on Collections Audit at the February 2016 meeting.
- 14.12 Later in the meeting members expressed concern that progress on Collections Audit was not moving forward as fast as they would like. The Chair of the Audit & Risk Committee undertook to speak to the Registrar and Chair of Collections Committee. Members restated their request for a documented assurance that Museum curators can account for the entire collection of 80 million specimens.
- DL/IO/SL
- 15 MAJOR CORPORATE RISKS 2014/15 AND 2015/16 AND LONG TERM INHERENTLY HIGH RISKS 2015/16 (PAPER 27/2015)**
- 15.1 The Director presented his report
- 15.2 Major Corporate Risks 2014/15 - The Committee reviewed the Q4 residual risk scores for the Major Corporate Risks 2014/15. Two risks remained red: (a) further cuts in grant in aid remained high no matter who formed the new Government. In future NHM will treat anything other than larger than anticipated cuts in government funding as a long-term inherently high risk; and (b) the work designed to arrive at a long-term solution to offsite collection storage. The Director will review the 2014/15 major corporate risks with the Head of Risk & Assurance to assess whether any should be included in the 2015/16 Audit Plan.
- MD/JD
- 15.3 Major Corporate Risks 2015/16 - The committee reviewed and approved the Major Corporate Risks for 2015/16. Members commended the list.
- 15.4 This year the Senior Management Team members forwarded the three issues they each felt would have most impact on their ability to deliver the new Museum Strategy to 2020. The list was discussed at the Executive Board Planning Conference, scored and risk owners assigned. Three risks related to income generation i.e. commercial, development and science. Not maximising the opportunity to exploit the Wildlife Photographer of the Year competition was contained within the commercial risk.

ACTION

- 15.5 The Museum was concerned it may have to absorb a double digit fall in resource grant in aid for 2016/17. This would necessitate reducing areas of back of house activity as public facing activity would be more difficult to reduce. It was noted some Museum's were in favour of entrance charging and others would not introduce charges e.g. the British Museum. Free entrance was not statutory with the exception that under the John Soanes' Museum Act the Trustees were to give free access on certain days to Amateurs and Students in Painting and Architecture. It was noted some European Museums operated fast track charging or requested a donation to avoid the slow entrance line.
- 15.6 Other issues raised by SMT members e.g. slow decision making, will be taken forward outside of the major corporate risk process.
- 15.7 Long Term Inherently High Risks 2015/16 - The committee reviewed and approved the Long Term Inherently High risks for 2015/16. These influenced the work programme of the Head of Risk & Assurance.
- 16 NEW FINANCE SYSTEM – KEY FINANCIAL CONTROLS REVIEW (PAPER 28/2015)**
- 16.1 The Director of Finance & Corporate Services presented the report.
- 16.2 A key financial controls review of the new Finance system was carried out by the NHS London Audit Consortium (NHS LAS) in November \ December 2014. A report, overseen by the Head of Risk and Assurance and interim Head of Finance was issued in January 2015 and considered by the Audit and Risk Committee in February 2015.
- 16.3 Since the February Audit & Risk Committee significant progress had been made in implementing the recommendations. A follow up audit was carried out by NHS LAS during March/April 2015 to review and provide assurance on the implementation. Two recommendations remained as red, having been partially implemented. These related to: (a) management account reconciliations for period 12 which were in progress; and (b) journals were not configured to prevent self posting and a compensating control was being introduced for 2015/16.
- 16.4 The Chair of the Audit & Risk Committee and the Co-opted member congratulated the interim Head of Finance and her team on their excellent work.
- 17 PRESENTATION BY THE ASSISTANT DIRECTOR OF SCIENCE ON THE MAJOR CORPORATE RISK “THE LACK OF OFF-SITE STORAGE OPPORTUNITIES LEAVES US WITH REDUCED ABILITY TO DELIVER EFFICIENCIES IN SOLUTIONS FOR LONG-TERM COLLECTIONS STORAGE ISSUES” (PAPER 29/2015)**
- 17.1 The Assistant Director of Science made his presentation on the management of the risk. Offsite storage was critical for efficiently providing appropriate collection storage conditions for a significant proportion of the collections and freeing up needed space for public use.
- 17.2 A number of options had been explored over the last year but none as yet offered an overall solution to the issue. Offsite storage was being approached on two fronts: (a) the Library Collection 50% of which needed to be moved offsite; and (b) Life Sciences Collections including Wandsworth and Tring. A shared solution with a possible partner for Library Collections was more advanced with funding from DCMS for the construction of a new build.
- 17.3 The NHM believed that the most efficient and cost-effective way of delivering offsite storage was as a collaborative venture of the National Museums. To date there had been little engagement with this idea by the National Museums who were focusing on their own individual priorities. The V&A, Science Museum Group and British Museum were awaiting the decision on: (a) the future of Blyth House; and (b) the allocation any proceeds from a potential sale.

ACTION

- 17.4 The Director promoted the shared solution idea at a recent DCMS “collection summit”. As a result DCMS undertook to draft a paper for circulation and comment with the hope that agreement could be reached between the National Museums and a “single enterprise” put to the incoming DCMS minister in the summer.
- 17.5 New Build - The Museum was scoping the likely costs for a new build, based on a requirement for 15,000m² of space. The current cost estimates varied between £4k and £8k per square metre for construction costs which seemed high. In addition, there would be expenses for land purchase, collection cabinets, commercial fees and contingency. Two members of the Committee agreed to assist with providing comparative figures on building costs.
- 17.6 Science Group considered the research collections needed to be within easy access to South Kensington. Therefore, offsite storage should be within the M25 for logistical reasons. Finding a suitable freehold site within the M25 would, however, be challenging in terms of cost and availability. It was observed that: (a) journey time was more critical than location; and (b) freehold was more secure than leasehold as a long term solution.
- 17.7 Members agreed more work was needed on potential costs and location in order for the Board of Trustees to make a decision on the way forward by the end of 2015.
- 17.8 The Chair of the Audit & Risk Committee thanked the Assistant Director of Science for his presentation and wished him the best in his retirement from the Museum. The Museum Director was discussing succession plans for the management of this risk with the Director of Science.
- 18 PRESENTATION BY THE HEAD OF ESTATES ON THE MAJOR CORPORATE RISK “THE MUSEUM DOES NOT INVEST SUFFICIENTLY IN ADDRESSING THE BACKLOG MAINTENANCE ISSUES IDENTIFIED BY THE ESTATE CONDITION SURVEY LEAVING US VULNERABLE TO UNEXPECTED BUILDING OR PLANT FAILURE” (PAPER 30/2015)**
- 18.1 The Head of Estates made a presentation on the management of the risk. The score for the risk was red at the start of the year and had lowered to amber by the end of 2014/15.
- 18.2 There had been a recent independent review of the October 2013 Condition Survey and the liability had reduced from £69m to £65m at 2013 prices. This had arisen due to: (a) increased investment in core infrastructure priorities; (b) a prioritised action plan investing in urgent/essential repairs; (c) the condition survey informing day to day maintenance decisions; and (d) capital projects investing in upgrades and renewals.
- 18.3 Infrastructure Investment - Infrastructure Investment was taking place in: (a) terracotta damage; (b) public address and fire alarm systems; (c) electrical infrastructure; (d) heating infrastructure and the chilled water system; and (e) lift refurbishment. Future projects included: (a) the high voltage electrical system; (b) emergency generator replacement; (c) building management system upgrade; and (d) NWB roof renewal.
- 18.4 Good progress had been made in addressing the essential priorities. However, there was still a long way to go as only 6% of the £69m backlog maintenance had been addressed.
- 18.5 Capital Projects - Strategic decisions about the Estate and the resulting capital projects were a key opportunity to invest in improving infrastructure and fabric. Capital projects included: (a) NCB roof; (b) Central/Hintze Hall and balconies; (c) Grounds redevelopment; (d) Waterhouse link; (e) Members room; and (e) public toilets.

ACTION

18.6 Future Action - More investment, projects, core infrastructure priorities work; and strategic decisions on the Estate: such as collections storage and building disposals were needed. The risk was being proactively managed, however, the Museum must not lose focus and the risk remained a long term inherently high risk.

18.7 The Chair of the Audit & Risk Committee thanked the Head of Estates for his presentation.

19 ANY OTHER BUSINESS

19.1 There was no other business

20. DATE OF THE NEXT MEETING

21.1 The next meeting will be held at 10.00 a.m. on Thursday 25th June 2015.

KEY TO ACTION INITIALS

Stephen Green - SG

Derek Langslow - DL

Kim Winsor - KW

Mark Richardson - MR

Michael Dixon - MD

Ian Owens - IO

Neil Greenwood - NG

Jan Day - JD

Dave Thomas - DT

Chris Sleep - CS

Sarah Long - SL

Andy Fleet - AF